



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0602	Title:	Coal bed methane impact board
Primary Sponsor:	Small-Eastman, Veronica	Status:	As Introduced

- | | | |
|--|--|---|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
State Special Revenue	\$2,243,937	\$2,245,356	\$1,998,857	\$1,948,446
Revenue:				
General Fund	(\$2,243,937)	(\$2,245,356)	(\$1,998,857)	(\$1,948,446)
State Special Revenue	\$2,243,937	\$2,245,356	\$1,998,857	\$1,948,446
Net Impact-General Fund Balance:	<u>(\$2,243,937)</u>	<u>(\$2,245,356)</u>	<u>(\$1,998,857)</u>	<u>(\$1,948,446)</u>

Description of fiscal impact:

This bill establishes a coal bed methane impact account in the state special revenue fund. Two percent or approximately \$2 million annually of the state portion of oil and natural gas production tax would be distributed to this account, and the amount of the state portion distributed to the state general fund would be reduced from 90.22% to 88.22%. This bill creates and administratively attaches the Coal Bed Methane Impact Board to the Department of Commerce.

FISCAL ANALYSIS

Assumptions:

Department of Commerce (DOC)

- The provisions of this bill are effective July 1, 2007.
- Section eight of this bill amends 15-36-331, MCA, to distribute 2% of the state portion of the oil and gas production tax to the coal bed methane impact fund. The percent allocated to the state general fund would be reduced by a like amount. The following table shows the distribution of the state share of oil and natural gas revenue under current law and HB 602.

Distribution - State Portion of the O & NG Production Tax	Current Law	Proposed Law
Coal Bed Methane Protection Account	1.23%	1.23%
R & D Grants SSR Account	2.95%	2.95%
Orphan Share Account	2.95%	2.95%
University System SSR Account	2.65%	2.65%
Coal Bed Methane Impact Account		2.00%
State General Fund	90.22%	88.22%
TOTAL DISTRIBUTION	100.00%	100.00%

3. The HJR 2 forecast of the state portion revenue from the oil and gas production tax is \$112.197 million for FY 2008 and \$112.268 million for FY 2009. The OBPP forecast of the state share of oil and natural gas revenue is \$99.943 million for FY 2010 and \$97.422 in FY 2011.
4. Under the proposed law, the amount distributed to the coal bed methane impact fund will be \$2,243,937 (2% x \$112.197 million) in FY 2008, \$2,245,356 (2% x \$112.268 million) in FY 2009, \$1,998,857 (2% x \$99.943 million) in FY 2010, \$1,948,446 (2% x \$97.422 million) in FY 2011. The amount distributed to the state general fund would be reduced by the coal bed methane impact distribution each year.
5. New Section four of this bill establishes a Coal Bed Methane Impact Board within the DOC, which would be a composed of five members appointed by the Governor.
6. New Section five of this bill provides for procedural matters and for compensation for board members. This section would allow the board to retain consultants and advisors. This section would require the DOC to provide offices and staff support for the board.
7. The administratively attached Coal Bed Methane Impact Board would require the DOC to enlarge the administrative staff in order to properly assist the Board. In looking at similar DOC programs and boards (Coal Board, Hard-Rock Mining Impact Board, CDBG, and TSEP), it is assumed that an increase of 1.50 FTE would be sufficient to meet the administrative efforts associated with the Board. Staff would be the initial contact for applicants and potential applicants, receive and categorize applications, schedule and organize quarterly meetings, prepare and administer contracts with grant recipients, and monitor the projects through occasional site visits. For the 1.50 new FTE, the estimated personal services costs are \$85,904 in FY 2008 and \$87,042 in FY 2009.
8. The estimated increase in operating expenses associated with the new FTE is \$30,977 in FY 2008 and \$23,968 in FY 2009.
9. A 2.5% inflation factor has been applied to personal services and operating costs for FY 2010 and FY 2011.
10. New Section six of this bill would give the board the power to award grants to local, state, and federal government agencies and federally recognized Indian tribes to assist them in the building, expanding, and maintaining roads they are required to do because of the impact of coal bed methane development.
11. New section seven of this bill would require the board to prescribe the form for grant applications
12. The estimated amount available for grants is \$2,127,056 in FY 2008, \$2,134,346 in FY 2009, \$1,885,072 in FY 2010, and \$1,831,815 in FY 2011.
13. Section nine of this bill appropriates \$3 million from the coal bed methane impact fund to the Coal Bed Methane Impact Board.

	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.50	1.50	1.50	1.50
<u>Expenditures:</u>				
Personal Services	\$85,904	\$87,042	\$89,218	\$91,449
Operating Expenses	\$30,977	\$23,968	\$24,567	\$25,182
Grants	\$2,127,056	\$2,134,346	\$1,885,072	\$1,831,815
TOTAL Expenditures	\$2,243,937	\$2,245,356	\$1,998,857	\$1,948,446
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$2,243,937	\$2,245,356	\$1,998,857	\$1,948,446
<u>Revenues:</u>				
General Fund (01)	(\$2,243,937)	(\$2,245,356)	(\$1,998,857)	(\$1,948,446)
State Special Revenue (02)	\$2,243,937	\$2,245,356	\$1,998,857	\$1,948,446
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$2,243,937)	(\$2,245,356)	(\$1,998,857)	(\$1,948,446)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. This bill would provide approximately \$2.1 million annually in grants for coal bed methane impacts. These grants could be used by counties and other local governments to assist them in the road costs related to the impacts of bed methane development.

Long-Range Impacts:

1. This bill would decrease state general fund revenues by about \$2.25 million annually for the foreseeable future.

Technical Notes:

1. The \$3 million appropriation from the coal bed methane impact account to the coal bed methane impact board does not specify a time period nor does it match the available revenue by year or for the 2009 biennium.

Sponsor's Initials_____
Date_____
Budget Director's Initials_____
Date